

# Office of Inspector General

*Semiannual Report to the Congress  
October 1, 2000 - March 31, 2001*

**<http://oig.lsc.gov/>**

**April 30, 2001**

**TO THE BOARD OF DIRECTORS  
OF THE LEGAL SERVICES CORPORATION (LSC)  
AND  
THE UNITED STATES CONGRESS**

*This Semiannual Report on the activities of the Office of Inspector General of LSC covers the six-month period from October 1, 2000 through March 31, 2001. Section 5 of the Inspector General Act of 1978 requires that the Board of Directors, as the designated Federal entity head, transmit this report to the appropriate committees of the Congress within 30 days, together with its report commenting on the contents of the Report.*

**Leonard J. Koczur  
Acting Inspector General**

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## EXECUTIVE SUMMARY

Our audit of Passaic County Legal Aid Society's 1999 Case Statistical Data disclosed that about 11 percent of the reported closed cases were duplicates and that some files lacked documentation of the legal services provided to clients. (Page 2)

Three reports on Audit Service Reviews were issued. The ASRs determine whether the audits conducted by independent public accountants properly reviewed grantees compliance with restrictions and prohibitions. (Page 2)

A report on the Corporation's Fiscal Year 1999 financial statements was issued. (Page 3)

Three Client Trust Fund Inspection Reports were issued. (Page 5)

## INTRODUCTION

### **Corporate Structure**

The Board of Directors of the Legal Services Corporation ("LSC" or "the Corporation") is composed of 11 members appointed by the President of the United States with the advice and consent of the Senate. The Board sets general policy and oversees the management of the Corporation. The Inspector General reports directly to the Board in its capacity as head of the entity. The Board also appoints the President of the Corporation, who serves as the principal management official of the Corporation.

### **Grant-Making Activities**

The Corporation is authorized by Congress to make grants and contracts to support the provision of civil legal assistance to clients who meet eligibility requirements. The Corporation makes grants to entities that, in turn, provide legal assistance to indigent persons throughout the United States, Puerto Rico, the U.S. Virgin Islands, Guam, and Micronesia.

### **Certification of Independence**

Inspector General operations in this period were free of personal or organizational impairment.

## A U D I T S

During this period, the Office of Inspector General issued an audit report on Passaic County Legal Aid Society's Case Statistical Data, three Audit Service Review Reports, and an audit report on the Corporation's FY 2000 financial statements.

### **Passaic County Case Statistical Data**

The OIG reported that during 1999, the Passaic County Legal Aid Society (grantee) opened multiple cases for the same client with the same or related legal problem. The Office of Inspector General (OIG) estimated that 588 cases (about 11 percent) of the 5,227 opened cases were duplicates that should not have been opened. Grantee staff routinely opened cases for clients without determining if the client's legal problem was previously handled. The problem occurred because the grantee did not have procedures for identifying duplicates when individuals applying for assistance were accepted as clients and their cases were entered into the case management system.

In addition, a significant number of case files did not contain documentation evidencing that clients were provided legal services. Fifty-four of 456 case files reviewed lacked such documentation. The case files for these cases included the LSC problem code but contained no information indicating that the client was provided legal advice. The problem occurred because the grantee's advocates did not complete the sections of the case intake forms covering services provided. Supervisory review of the advocates and the case files was inadequate and did not detect the problem.

This audit resulted from a referral by LSC management.

### **Audit Service Review Reports**

Audit Service Reviews (ASRs) examine the working papers of the independent public accountants (IPAs) who conduct the annual financial and compliance audits of LSC grantees. The objective of the ASRs is to determine whether the independent public accountants properly reviewed grantee's compliance with 14 restrictions and prohibitions imposed by Congress.

The OIG issued three ASR reports during this period. All three reviews found that the IPAs adequately tested the grantees' compliance with LSC regulations and that the audit reports provided reasonable assurance that the grantees complied with LSC regulations. The OIG also reviewed the additional work that two other IPAs were required to perform and determined that the corrective action was sufficient to provide reasonable assurance that the recipients complied with LSC laws and regulations.

### **Corporate Audit**

The OIG issued an audit report on LSC's Fiscal Year 2000 financial statements. An independent public accounting firm, under contract with the OIG, issued an unqualified opinion on LSC's statement of financial position as of September 30, 2000,

and on the related statements of operations and cash flows for the year then ended. The OIG confirmed that the accounting firm performed the audit in accordance with Government Auditing Standards and that the audit work provided a reliable basis for the opinion on LSC's Fiscal Year 2000 financial statements.

**AUDIT REPORTS**

<i>Open at beginning of reporting period</i>	5
<i>Issued during reporting period</i>	2
<i>Closed during reporting period</i>	6
<i>Open at end of reporting period</i>	1

**AUDIT SERVICE REVIEW REPORTS**

<i>Open at beginning of reporting period</i>	2
<i>Issued during reporting period</i>	3
<i>Closed during reporting period</i>	5
<i>Pending at end of reporting period</i>	0

**RECOMMENDATIONS TO LSC GRANTEEES**

<i>Pending at beginning of reporting period</i>	18
<i>Reported during this period</i>	4
<i>Closed during reporting period</i>	18
<i>Pending at end of reporting period</i>	4

**RECOMMENDATIONS TO LSC MANAGEMENT**

<i>Pending at beginning of reporting period</i>	11
<i>Reported during this period</i>	0
<i>Closed during reporting period</i>	11
<i>Pending at end of reporting period</i>	0

**Audit Service Review Reports Issued**

Legal Services of Northwest Indiana, Inc.  
 Legal Services Program of Northern Indiana, Inc.  
 Legal Services Organization of Indiana, Inc.

## INVESTIGATIVE ACTIVITIES

One case was opened during this reporting period. The case involved the alleged embezzlement of approximately \$16,000 from a former LSC grantee in Western Virginia. The United States Attorney, Western District of Virginia is handling the case.

Nine cases were closed during this reporting period. One of these cases involved a former employee of a South Carolina grantee who pleaded guilty to embezzlement of funds and was ordered to provide restitution.

During this reporting period, the OIG maintained a Hotline to receive and resolve telephone complaints.

### INVESTIGATIVE CASES

Open at beginning of period	10*
Opened during the period	1
Closed during reporting period	9
Open at end of period	2

*\*Number adjusted to correct September 30, 2000 SAR.*

**PROSECUTORIAL ACTIVITIES** **1**

## INSPECTION ACTIVITIES

Three reports of Client Trust Fund Inspections covering six sites were issued. Two additional grantees were visited and the final reports are pending. The inspections found that the grantees were in general compliance with LSC requirements but improvements in internal controls were needed.

### **CLIENT TRUST FUND INSPECTION REPORTS**

Open at beginning of reporting period	0*
Issued during reporting period	3
Closed during reporting period	3
Open at end of reporting period	0

*\*Corrects ending balance from prior reporting period.*

## LEGISLATIVE AND REGULATORY REVIEW

### **Statutory Recommendation**

The OIG reviewed and commented on statutory and regulatory provisions affecting LSC and/or the OIG.

### **Subpoena Enforcement Activities**

Three court cases arising out of the OIG's issuance of subpoenas remain pending.

Two of the cases arose out of the OIG's assessment of the accuracy of grantees' 1999 case statistical data. Two grantees, citing ethical rules and attorney-client privilege, declined to provide data the OIG requested. The OIG subpoenaed the data and sought and obtained enforcement of the subpoenas in the U.S. District Court for the District of Columbia. One grantee (Legal Services for New York City or LSNY) appealed the order. The U.S. Court of Appeals for the D.C. Circuit heard oral argument shortly after the close of the current reporting period, and we are awaiting the Court's decision. The second case was brought by subgrantees and an affiliated organization of LSNY and is pending in the U.S. District Court for the Southern District of New York.

The third case arose when the OIG sought enforcement of subpoenas issued to LSC's two Georgia grantees, which declined to provide data requested by the OIG in furtherance of an evaluation project. Although the case is pending in the U.S. District Court for the District of Columbia, the parties are diligently pursuing settlement, which is anticipated during the next reporting period.

**TABLE I**

**Audit Reports Issued with Questioned Costs  
for the Period Ending March 31, 2001**

	<b>NUMBER REPORTS</b>	<b>QUESTIONED COSTS</b>	<b>UNSUPPORTE D COSTS</b>
A. For which no management decision has been made by the commencement of the reporting period.	0	\$0	\$0
B. Reports issued during the reporting period	0	\$0	\$0
Subtotals (A + B)	0	\$0	\$0
<b>LESS:</b>			
C. For which a management decision was made during the reporting period:	0	\$0	\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period	0	\$0	\$0
Reports for which no management decision had been made within six months of issuance	0	\$0	\$0

TABLE II

**Audit Reports Issued with Funds to be Put to Better Use  
for the Period Ending March 31, 2001**

	NUMBER REPORTS	DOLLAR VALUE
A. For which no management decision has been made by the commencement of the reporting period.	0	\$0
B. Reports issued during the reporting period	0	\$0
Subtotals (A + B)	0	\$0
<b>LESS:</b>		
C. For which a management decision was made during the reporting period:	0	\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision had been made by the end of the reporting period	0	\$0
Reports for which no management decision had been made within six months of issuance	0	\$0

**TABLE III**

**Index to Reporting Requirements  
of the Inspector General**

<b>IG ACT*** REFERENCE</b>	<b>REPORTING REQUIREMENT</b>	<b>PAGE</b>
Section 4(a)(2)	Review of legislation and regulations	6
Section 5(a)(1)	Significant problems, abuses, and deficiencies	None
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	None
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	None
Section 5(a)(4)	Matters referred to prosecutive authorities	None
Section 5(a)(5)	Summary of instances where information was refused	None
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and funds to be put to better use	7
Section 5(a)(7)	Summary of each particularly significant report	2
Section 5(a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs	7
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	8
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by the end of the reporting period	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	None

\*\*\*Refers to sections in the Inspector General Act of 1978, as amended.